

**ADMINISTRATION AND FINANCE
COMMITTEE MEETING
AND
SPECIAL MEETING OF THE
BOARD OF DIRECTORS**

**Tuesday, August 3, 2021
4:00 P.M.**

Committee Members:

Jennifer Santana, Chair
Tony R. Fellow, Vice-Chair

SPECIAL NOTICE - Teleconference Accessibility

Pursuant to Executive Order N-29-20 issued by Governor Newsom in response to the COVID-19 outbreak, the Upper District will hold this meeting via teleconference or the most rapid means of communication available at the time. Instructions to participate in the teleconference are below:

Attendee Join Zoom Webinar

<https://us02web.zoom.us/j/89387731219>

Telephone Dial: 1 (669) 900-6833

Webinar ID: 893 8773 1219

Public comments may be made through teleconference when prompted by the Chair during the public comment period. Public comments may also be provided by emailing Yenessa@usgvmwd.org in advance of the meeting. Please indicate "PUBLIC COMMENT" in the subject line.

If you have difficulty connecting to the teleconference line, please call (626) 443-2297 or email Ruben@usgvmwd.org. It may take a few minutes to join Zoom or connect via telephone so please join early.



602 E. Huntington Drive, Suite B
Monrovia, CA 91016

(626) 443-2297
www.upperdistrict.org

*The Administration and Finance Committee meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Administration and Finance Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. To preserve the function of the Committee as advisory to the Board, members of the Board who are not assigned to the Administration and Finance Committee will not vote on matters before the Committee.

Communications

1. Call to Order
2. Public Comment

Discussion/Action

3. Water Rates and Charges for Calendar Year 2022 *(Staff memorandum and Resolution 8-21-623 enclosed.)*

Oral Reports

- 4.

Other Matters

- 5.

Adjournment

Next Meeting: Tuesday, September 7, 2021.



American Disabilities Act Compliance *(Government Code Section 54954.2(a))*

To request special assistance to participate in this meeting, please contact the Upper District office at (626) 443-2297 or valeria@usgvmwd.org at least 24 hours prior to meeting.





MEMORANDUM



ITEM 3.

DATE: July 29, 2021
TO: Administration and Finance Committee
FROM: General Manager
SUBJECT: Approve the proposed rates and charges summarized in Table 1 and adopt Resolution No. 8-21-623, adopting Water Rates and Charges for Calendar Year 2022.

Recommendation

Staff recommends that the Board of Directors approve the proposed rates and charges summarized in Table 1 and adopt Resolution No. 8-21-623, adopting the water rates and charges for calendar year (CY) 2022 (attached).

Background

On May 26, 2021, the Board of Director adopted Upper District's budget for fiscal year (FY) 2021/22. The FY 2021/22 budget includes total uses of funds of \$40.10 million. Of this amount, \$29.51 million represents purchased water cost from Metropolitan: treated water - \$3.37 million, untreated water - \$23.31, Metropolitan's capacity charge - \$0.33 million and Metropolitan's readiness-to-serve charge (RTS) - \$2.50 million. With total operating revenue of \$37.31 million, projected net operating income amount to \$0.35 million.

In the past, Metropolitan's RTS charge has been fully funded by the standby charge revenue collected on Upper District's behalf by Metropolitan. However, in FY 2020/21, the RTS charge exceeded the standby charge revenue by \$233 thousand. For FY 2021/22, this gap will increase to more than \$600 thousand. Staff has been working closely with Watermaster and the producers to develop and define options for addressing the growing gap between the RTS charge and the standby charge revenue from Metropolitan.

Staff is not recommending any changes to Upper District's current rate structure for CY 2022. Based on the most recent projection for untreated water sales for FY 2021/22, along with the forecasted cost reductions for the fiscal year, Upper District would still be able to meet its debt coverage ratio without increasing its volumetric surcharge or changing its current rate structure to pass through the RTS charge for CY 2022. Staff will continue working with Watermaster and the producers to refine the District's rate structure to address concerns regarding the growing net RTS charge from Metropolitan, insufficient revenue due to low water sales during wet years and potential excessive reserve buildup from high water sales during extremely dry years.

Calendar Year 2022 Water Rates and Charges

Metropolitan's tier 1 treated water rate will increase 3.53%, from \$1,104 per acre foot to \$1,143 per acre foot. Metropolitan's tier 1 untreated water rate will increase 2.83%, from \$777 per acre foot to \$799 per acre foot. Upper District's surcharge will remain at \$103 per acre foot.

To recover costs incurred to meet peak distribution demands, Metropolitan levies a capacity charge on each member agency based on the maximum summer day demand, between May 1 and September 30 of each year, for a three-calendar-year period. For CY 2022, Metropolitan used the three-year period ended December 31, 2020 to levy the capacity charge at \$12,200 per cfs. Upper District will pass through the capacity charge to the producers based on the peak summer day demand of 29.1 cfs which occurred on September 21, 2019.

The proposed water rates for calendar year 2022 are summarized in Table 1.

**Table 1
Water Rates and Charges**

	Effective 01/01/17	Effective 01/01/18	Effective 01/01/19	Effective 01/01/20	Effective 01/01/21	Proposed 01/01/22	CY 2022 % Increase
Full Service Treated Tier 1							
MWD	979	1,015	1,050	1,078	1,104	1,143	
Upper District Surcharge	103	103	103	103	103	103	
Upper District Rate	1,082	1,118	1,153	1,181	1,207	1,246	3.23%
Full Service Treated Tier 2							
MWD	1,073	1,101	1,136	1,165	1,146	1,185	
Upper District Surcharge	103	103	103	103	103	103	
Upper District Rate	1,176	1,204	1,239	1,268	1,249	1,288	3.12%
Full Service Untreated Tier 1							
MWD	666	695	731	755	777	799	
Upper District Surcharge	103	103	103	103	103	103	
Upper District Rate	769	798	834	858	880	902	2.50%
Full Service Untreated Tier 2							
MWD	760	781	817	842	819	841	
Upper District Surcharge	103	103	103	103	103	103	
Upper District Rate	863	884	920	945	922	944	2.39%
Capacity Charge (per CFS)	\$ 8,000	\$ 8,700	\$ 8,600	\$ 8,800	\$ 10,700	\$ 12,200	14.02%

Attachment

RESOLUTION NO. 8-21-623

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT REPEALING
RESOLUTION NO. 8-21-623 AND ADOPTING WATER RATES AND CHARGES
FOR CALENDAR YEAR 2022**

WHEREAS, the Metropolitan Water District of Southern California ("MWD" herein) has adopted water rates and charges for its classes and conditions of service effective January 1, 2022 and the Upper San Gabriel Valley Municipal Water District ("Upper District" herein) wishes to reflect MWD's new rates and charges in the water rates and charges of the Upper District; and

WHEREAS, MWD has established charges in their rate structure including a Readiness-to-Serve Charge, Capacity Charge, Tier 1 and 2 Commodity Charges; and

WHEREAS, Upper District requested that MWD continue its standby charge in Upper District's service area with the intention that the above referenced Readiness-to-Serve Charge be paid from the funds generated from said standby charge for Calendar Year 2022; and

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF UPPER SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT as follows:

Section 1. Resolution No. 6-20-610, adopted on June 10, 2020, is hereby repealed.

Section 2. The following water rates are established and will remain effective for Calendar Year 2022:

Normal Supply Rates

	Rate per Acre Foot
Class of Service	
Full Service – Treated (Tier 1)	\$1,246
Full Service – Treated (Tier 2)	\$1,288
Groundwater Replenishment Service	Not Available
Full Service – Untreated (Tier 1)	\$902
Full Service – Untreated (Tier 2)	\$944
Recycled Water Service	By Contract
Capacity Charge	\$12,200 per CFS
Minimum Service Connection Charge (per year)	\$1,220
Groundwater Replenishment Ready-to-Serve	\$42 per CFS/\$6,300 per month

Section 3. Description of Service Classes:

Full Service Treated (Tier 1)

For Calendar Year 2022, the Upper District may purchase up to 67,228 acre feet per year, which will be sold at the Tier 1 rate of \$1,246 per acre foot (subject to alternative pricing imposed under MWD's Water Supply Allocation during droughts).

Full Service Treated (Tier 2)

For Calendar Year 2022, the Upper District will have an unlimited amount (subject to MWD's Water Supply Allocation Plan) of Full Service Tier 2 supply. Once the Tier 1 Limit is utilized, all treated water sold will be subject to the Tier 2 rate of \$1,288 per acre foot effective January 1, 2022.

Annual Capacity Charges

The Full Service Tier 1 rate per acre foot as well as the Full Service Tier 2 rate per acre foot assumes a reasonable and normal annual maximum daily average capacity usage per acre foot of water deliveries. Upper District will pass through MWD's capacity charge on use of the imported water distribution system during the May through September time period, as determined by MWD. For Calendar Year 2022, MWD's capacity charge will be calculated at \$12,200 for each CFS of peak capacity utilized during the period of May through September period for the three calendar years ending 2020.

Full Service Untreated (Tier 1)

The Upper District's Tier 1 Limit includes both treated and untreated Tier 1 deliveries. Full Service untreated deliveries will be billed at the Tier 1 rate of \$902 per acre foot effective January 1, 2022 only if there is sufficient Tier 1 Limit remaining after all Full Service treated deliveries have been accounted for (subject to alternative pricing imposed under MWD's Water Supply Allocation during droughts). In the event that the Upper District Tier 1 Limit is exceeded, all Full Service untreated deliveries will be subject to Tier 2 rate.

Full Service Untreated (Tier 2)

For Calendar Year 2022, the Upper District will have an unlimited allocation (subject to MWD's Water Supply Allocation Plan), of Full Service Tier 2 supply. Once the total allocation of Tier 1 supply is utilized, all untreated water sold will be subject to the Tier 2 rate of \$944 per acre foot effective January 1, 2022.

Section 4. Each groundwater replenishment customer shall pay a monthly ready-to-serve charge in addition to the water rate for groundwater replenishment service. This monthly ready-to-serve charge will be \$42 for each cubic foot per second of groundwater replenishment service connection capacity, at an amount not-to-exceed \$6,300 per month, payable in advance.

Section 5. A minimum charge, equivalent to ten percent (10%) or one-tenth (1/10) of the value of one CFS of capacity (\$12,200) and amounting to \$1,220 per year effective January 1, 2022, will be billed to the sub-agencies prorated on a monthly basis irrespective of the amount of water used.

Section 6. All sales, deliveries and availability of water at the rates established herein shall be subject to the ability of the Upper District to sell, deliver and make available such water under operating conditions determined by the General Manager of Upper District and of MWD, and subject to the water service regulations of Upper District and of MWD. All agencies that purchase treated or untreated water must comply with all rules, requirements, and regulations of Upper District's Urban Water Management Plan adopted on or about June 2020 and any amendments or supplements thereto.

Section 7. The Board of Directors finds the rates, fees, and charges set forth herein are for the purpose of meeting operating expenses, including employee wages and benefits; purchasing or leasing of supplies, equipment or materials; meeting financial reserve needs and requirements; obtaining funds for capital projects necessary to maintain service within existing service areas, and obtaining funds to meet long-term debt costs. None of the rates, fees, and charges described above exceed the reasonable cost of providing the service for which the rate, fee, or charge is levied.

Section 8. The Board of Directors recognizes that Southern California is facing water supply challenges arising from both reoccurring droughts and environmental factors. These factors have created uncertainty regarding the reliability of all sources of water for the foreseeable future. As such, the Board reserves the authority to modify, alter, or suspend any or all sections of this resolution as determined prudent to properly respond to new developments in water supply circumstances.

Section 9. The Secretary of Upper District shall cause a copy of this Resolution to be mailed to all current purchasers of water from Upper District including the users of water replenishment service connections.

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PASSED, APPROVED, AND ADOPTED this 11th day of August, 2021.

AYES:

NOES:

ABSTAIN:

ABSENT:

Ed Chavez, President

ATTEST:

Katarina Garcia, Secretary

(SEAL)

APPROVED AS TO FORM:

Steven P. O'Neill, District Counsel